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**UZBEKISTAN'S CURRENCY REFORMS: A STEP FORWARD**  
**IN COMBATING THE SHADOW ECONOMY**

*Name and Surname* **Abdusattorov Avazbek**  
*University* **Banking and Finance Academy of the Republic of Uzbekistan**  
*Faculty* **State financial control and Audit**  
*Email* **[avazbek260398@gmail.com](mailto:avazbek260398@gmail.com)**  
*Phone number* **+998950607433**

**Abstract:** *This article examines Uzbekistan's recent currency reforms aimed at enhancing financial control and reducing the shadow economy. Following the liberalization of currency exchange policies in 2017, the country has made significant strides in attracting foreign investment and improving economic transparency. Despite these advances, challenges remain, with a substantial portion of the economy still operating informally. This article discusses the importance of strengthened financial control mechanisms, including anti-money laundering measures, and the potential role of financial technology in promoting compliance and reducing reliance on informal channels. Ultimately, the balance between liberalization and regulatory oversight is essential for fostering sustainable economic growth and transparency in Uzbekistan.*

### **Introduction**

Recent reforms in Uzbekistan's currency regulation and financial control systems have played a significant role in promoting transparency and reducing the country's shadow economy. The government's efforts aim to strike a balance between liberalizing the currency market, fostering economic growth, and maintaining control over illicit financial activities. As Uzbekistan transitions into a more market-driven economy, these reforms are crucial for ensuring compliance with international financial standards.

### **Body**

#### **Currency Liberalization and Economic Growth**

In 2017, Uzbekistan introduced pivotal changes to its currency exchange policies, allowing businesses and individuals to legally convert currency at market rates. This shift marked a significant break from past practices, where strict currency controls led to a flourishing black market. Today, the liberalization has attracted foreign investment, boosted trade, and increased access to international financial markets (Central Bank of Uzbekistan, 2023).

**Challenges in Combating the Shadow Economy:** Despite progress, Uzbekistan's shadow economy still accounts for a significant portion of its GDP. Informal labor, unregistered businesses, and tax evasion remain widespread, exacerbated by complex regulations and high compliance costs (Schneider & Enste, 2000). The government's financial control reforms, aimed at tightening oversight and improving compliance, are essential to reduce the size of the shadow economy (Ministry of Finance of Uzbekistan, 2022).

### **Strengthening Financial Control**

Uzbekistan has taken steps to enhance financial control mechanisms, particularly through anti-money laundering (AML) and counter-terrorism financing (CTF) regulations. These controls not only ensure compliance with international standards but also help prevent illicit financial activities (World Bank, 2023). Institutions like the Central Bank of Uzbekistan play a critical role in monitoring suspicious transactions and enforcing penalties for non-compliance.

### **The Role of Financial Technology (FinTech)**

FinTech solutions have the potential to improve transparency in currency exchanges and reduce reliance on informal channels. By digitalizing financial services, Uzbekistan can enhance compliance, reduce tax evasion, and increase financial inclusion (OECD, 2021). Public awareness campaigns on the importance of formal financial participation are also key in reducing informality.

### **Conclusion**

Uzbekistan's recent efforts to promote currency exchange liberalization and strengthen financial control systems are crucial for tackling the shadow economy. However, continued focus on simplifying regulations, improving compliance, and fostering digital financial solutions will be necessary to ensure

long-term economic stability. As the country progresses, balancing liberalization with strict oversight will be essential for driving both formal economic growth and financial transparency.

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